

Message Text

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14

ACTION EB-11

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FM AMEMBASSY MADRID

TO SECSTATE WASHDC PRIORITY 7205

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E.O. 11652: N/A

TAGS: ETRD SP

SUBJECT: COUNTERVAILING DUTY PROCEEDINGS: VISIT OF
CUSTOMS TEAM

REF: STATE 219913

1. EMBASSY WILL DO EVERYTHING POSSIBLE FACILITATE
INVESTIGATION CUSTOMS OFFICERS FLYNN AND MCNEILL
RELATIVE TO ALLEGED SPANISH EXPORT SUBSIDIES ON OLIVES
AND FOOTWEAR BUT IS NOT SANGUINE CONCERNING COOPERATION
OF GOS OFFICIALS IN PROVIDING INFORMATION BEYOND THAT
MADE AVAILABLE TO MCGREEDY.

2. EMBASSY UNINFORMED AS TO SPECIFIC ALLEGATIONS IN
INDUSTRY APPLICATION FOR RELIEF THROUGH IMPOSITION
OF COUNTERVAILING DUTY ON IMPORTATIONS OF SHOES AND
OLIVES, THEREFORE UNABLE COMMENT ON ADEQUACY OR LACK
OF ADEQUACY MCGREEDY INVESTIGATION AND/OR WHAT MORE
MAY BE DONE. EMBASSY WAS INFORMED GOS OFFICIALS
GENERALLY COOPERATIVE IN PROVIDING BASIC DATA RELATIVE
TO THE IMPUESTO COMPENSACION - IMPORT DOMESTIC EQUALIZA-
TION LEVY (IDTEL) AND THE DESGRAVACION FISCAL (EXPORT
REBATE).

3. INFORMALLY IN TRADE HERE IT GENERALLY AGREED THAT
REGARDLESS OF ALLEGED THEORY, IDTEL IS AN ADDITIONAL
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PROTECTIVE MEASURE AND EXPORT REBATE IS AN ASSISTANCE

TO EXPORTERS COMPETING WITH NON-SPANISH SUPPLIERS. THE THEORY APPARENTLY IS THAT IDTEL MERELY APPLIES TO IMPORTS CERTAIN TAXES THAT ARE APPLIED TO DOMESTIC PRODUCTION DURING COURSE OF PRODUCTION AND EXPORT REBATE MERELY RETURNS THESE SAME TAXES WHEN ITEM IS EXPORTED. IT SHOULD BE NOTED THAT IN SUBSTANTIALLY ALL CASES, THESE TWO ITEMS ARE IDENTICAL. (OLIVES ARE AN EXCEPTION; THE IDTEL IS 6 PERCENT WHILE THE EXPORT REBATE IS ONLY 1.5 PERCENT.) THE EMBASSY OVER THE YEARS HAS BEEN UNABLE TO OBTAIN ANY OFFICIAL EXPLANATION AS TO WHICH TAXES ARE INCLUDED IN CALCULATING THESE VARIOUS PERCENTAGES OR WHY THEY VARY SO MUCH AMONG RELATIVELY SIMILAR PRODUCTS IN THE SAME TARIFF CATEGORIES. BOTH THE IDTEL AND THE EXPORT REBATE ARE INTEGRAL PARTS OF SPANISH ECONOMIC/COMMERCIAL POLICY. IT IS UNLIKELY THAT GOS OFFICIALS WILL CONSIDER QUESTIONS RELATIVE TO THE LEVELS OF THESE TWO ITEMS FOR SHOES AND OLIVES AS ANYTHING BUT AN ATTACK ON THE ENTIRE THEORY. IF THEIR RIGHT TO LEVY THE IDTEL OR GRANT THE EXPORT REBATE IS COMPROMISED ON SHOES AND OLIVES, THE ENTIRE SYSTEM IS JEOPARDIZED.

4. I DO NOT WISH TO IMPLY THAT IT MAY NOT BE DESIRABLE TO CHALLENGE THE ENTIRE SYSTEM IN THE LIGHT OF SPAIN'S GATT OBLIGATIONS, BUT MERELY POINTING OUT THAT THE ENTIRE SYSTEM IS INTEGRAL.

5. AS A PRACTICAL MATTER, I SUGGEST THAT WE SHOULD CAREFULLY CONSIDER WHETHER THE DIFFICULTIES INVOLVED IN ATTEMPTING TO PROVE THE CASE, WHICH FOR OLIVES COULD MEAN LESS THAN 1.5 PERCENT DIFFERENCE IN THE LANDED COST OF OLIVES IN THE U.S., IS WORTHWHILE. THE SAME MAY BE SAID FOR SHOES, SINCE IT WILL BE RECALLED THE 10 PERCENT SURCHARGE APPLIED IN AUGUST 1971 HAD LITTLE OR NO EFFECT ON THE IMPORTATION OF SPANISH SHOES IN THE UNITED STATES. I RECOGNIZE THAT LEGALLY THERE MAY BE A REQUIREMENT TO RESPOND TO INDUSTRY'S REQUEST FOR RELIEF, BUT IT WOULD BE UNFORTUNATE IF IN FORCING THE ISSUE IN A CASE SUCH AS THIS WE ENGAGE IN A BATTLE WHICH EVEN IF ULTIMATELY WON WOULD NOT BE OF PRACTICAL VALUE TO THE ALLEGEDLY INJURED LIMITED OFFICIAL USE

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PARTIES IN THE U.S. AND COULD DO DAMAGE TO OUR UP TO NOW VERY COMFORTABLE OVERALL POSITION IN SPAIN'S IMPORT MARKET. RIVERO

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